



Salaries and Benefits FY 2011-13 Budget Highlights

Fiscal Brief

March 2012

The North Carolina General Assembly House and Senate Appropriations/Base Budget Committees address statewide appropriations for compensation and benefits as a full committee based on recommendations from the Chairs of the respective Appropriations Committees. This fiscal brief highlights the General Assembly's 2011 Session actions to adequately finance various benefit systems that serve active and retired employees of State agencies, universities, local public schools, and local community colleges. The primary benefit systems described are the Teachers' and State Employees Retirement System (TSERS) and the State Health Plan for Teachers and State Employees.

Executive Summary

The State provides funding for salaries for employees of State agencies and universities and a majority of the personnel employed by local public schools and community colleges. The General Fund payroll base is estimated to exceed \$11.09 billion for FY 2011-2012. Total payroll is expected to exceed \$15.58 billion, including receipt revenues from State agencies, universities, local public schools, and community colleges.

The State operates several retirement systems for public employees. The Teachers' and State Employees' Retirement System has the largest membership and assets of all the retirement systems and provides benefits to eligible employees of State agencies, departments, universities, local public schools, and local community colleges. As of December 31, 2010, the System had approximately 317,000 contributing members and paid retirement benefits of \$3.3 billion annually to 163,938 beneficiaries. As of December 31, 2010, the market value of assets totaled \$54.1 billion while the actuarially recognized assets totaled approximately \$57.1 billion. Recognized assets exceed the market value of assets due to the effect of investment gains and losses being averaged over a five-year period to smooth market fluctuations (i.e. the significant losses sustained during the 2008 calendar year). The System was considered 95% funded (i.e., \$0.95 in assets for each \$1.00 of liabilities) based upon the recognized assets as of December 31, 2010.

The State Health Plan for Teachers and State Employees (Plan) administers health benefit coverage for active employees from employing units of State

agencies and departments, universities, local public schools, and local community colleges. Eligible retired employees of authorized employing units may also access health benefit coverage under the Plan. Eligible dependents of active and retired employees are authorized to participate in the Plan provided they meet certain requirements. Employees and retired employees of selected local governments may also participate in the Plan under certain conditions. Members of fire, rescue squads, and the National Guard may also obtain coverage under the Plan provided they meet certain eligibility criteria.

Salaries

The 2011 Session of the General Assembly maintained the freeze on most salary increases for State employees as enacted during the 2009 Session including the freeze on automatic salary increases for certain employee groups. Section 29.8 of S.L. 2011-145 as amended by Section 59A of S.L. 2011-391, 2011 Budget Technical Corrections, specifies certain exceptions to the general salary freeze. The 2011 Session of the General Assembly also maintained the freeze on public school teacher, principal, and assistant principal salaries as enacted during the 2009 Session. Teachers, principals and assistant principals, who have gained an additional year of experience, will move up one step on the experienced based schedules but their salaries will remain the same.

Retirement

Due to the significant losses in the market value of assets during the 2008 calendar year, the actuarial